



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman and members of the Finance Revenue and Bonding Committee, my name is Josh Hershman, Deputy Commissioner of the Connecticut Insurance Department. Thank you for the opportunity to provide testimony in support of the Governor's bill:

SB 11 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET

An Act Concerning Revenue Items to Implement the Governor's Budget is a similar proposal to SB 339 from the 2020 session and HB 6388 from 2021 regarding captive insurance companies. There are currently thirty-five captive insurance companies domiciled in Connecticut, with thirteen new captives licensed in 2021. However, many others are either domiciled in other states or abroad. This bill seeks to make Connecticut more consistent with other top domiciles and more attractive to businesses contemplating the formation of a captive insurer to allow for greater economic growth and development within the captive industry. The bill will provide captives with more flexibility with the intent for businesses to meet their evolving insurance needs and manage their risks more effectively.

Under this bill, the significant changes to Connecticut's captive insurance laws will include the use of foreign branch captives to allow multi-state organizations to better manage their risks in Connecticut. This bill also amends definitions and makes technical changes to remove barriers to establish a branch captive in the state and better streamline the licensing process. This bill also permits a three-year look-back for insureds that establish a branch captive insurance company or transfer the domicile of its alien or foreign captive insurance company to Connecticut by June 30, 2023. All penalties on outstanding liabilities for Connecticut insureds that have not paid the non-admitted insurance premium tax would be waived - however the independently procured insurance premium tax, also called non-admitted insurance premium tax and interest would be collected for taxable periods ending on or after July 1, 2019, but before July 1, 2022.

Additionally, this bill will give the Commissioner the authority to license foreign branch captive insurance companies; reduce the minimum capital requirement for captive insurance companies while still providing the Commissioner with the discretion to establish additional capital and surplus requirements based on an individual risk basis.